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American Banker

The Daily Financial Services Newspaper

VOL. CL NO. 27 Thursday, February 7, 1985 150th Year

TODAY

DEALS FOR WHEELS: The long-awaited breakthrough to a secondary market for consumer loans appears on its way with the sale of $10 million worth of automobile loans through a new securities program at Salomon Brothers Inc. 1

CEASE AND DESIST: The California Department of Insurance has ordered Glacier General Assurance Company of Missoula, Mont., to cease writing any more insurance in the state because of a belief Glacier violated a previous order 2

LOUISIANA LAMENT: Alliance Federal Savings and Loan of Kenner, La., claimed that regulators have unfairly targeted the thrift for punishment in order to make an example of it and went to court to remove a conservator 2

Thrifts

LOOPHOLE APPEAL: The Federal Reserve Board's attempt to narrow the nonbank-bank loophole may still be alive as the U.S. Solicitor General agreed to ask the Supreme Court for an appeal of a lower court ruling that struck down the Fed's decision to expand the definition of a bank 3

TOO COZY? The Federal Reserve Board has ruled that the linking of two comparatively small southeastern Kentucky banks will result in anticompetitive effects 3

REQUIRED READING: The financial industry isn't doing much to dispel the idea that a legislated approach to 'lifeline' accounts is the answer 4

Flashbacks 4

WINNERS: Stocks of consumer, low-tech, and service sectors firms will be the winners in this year's stock market, according to Barton M. Biggs, chief portfolio strategist of Morgan Stanley & Co. Forget the frothy past and go with 'pedestrian' businesses, he advises 6

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THE BACK PAGE: Linda K. Page, Ohio's first woman banking commissioner, was an unknown quantity when appointed a year and a half ago. In that span, though, she's left her mark as a reformer of the state's banking system 12

Quote

They raised me to change light bulbs and be self-sufficient. I wasn't raised in skirts. It was not a stereotyped environment.

Linda K. Page, Ohio banking commissioner, on her parents' influence [12]

Unquote

Scrambling Becomes a Way of Life For Banker in Nebraska Farm Town

By ANDREA BENNETT

Fifth of a series

OSMOND, Neb. — James Stratton spent one day early this winter cleaning out a grain silo.

Not bad work, if you can get it. Unless, of course, you also happen to be president of Osmond State Bank.

Harvesting Bad Loans

Mr. Stratton is, and he says he worked on the silo with a group of the town's farmers because its owners didn't have enough money to hire someone to do the job.

It is all part of the scrambling many agricultural bankers are doing as they struggle to ease the turmoil paralyzing their communities.

Mr. Stratton says that, sometimes, scrambling is all a banker can do.

"Everybody says there is a solution," he says. "Even out here, in the country, it's too complex for one solution for everyone."

Osmond State in the only bank in this town of 900 people, located in north-central Nebraska. Its landscape is dominated by a one-street business district and a church spire.

Everything in the town is supported by its agricultural community. Farmers in

↦ Osmond: Page 7

Farm Lenders Unhappy with US Plan

But Agriculture Department Believes Bankers Will Use Federal Guarantees

By ANDREW ALBERT

WASHINGTON — Farm lenders voiced immediate dissatisfaction with a Reagan administration plan, announced Wednesday, to further help debt-ridden farmers survive the upcoming planting season.

Still, officials at the Agriculture Department said they are optimistic that bankers would soon begin flocking to the agency to take advantage of the $650 million in federal loan guarantees available this year.

The department's new program is merely the latest step aimed at reducing the financial distress of the Farm Belt — a topic that has taken center stage lately in the nation's capital. So far, Washington has also responded with congressional hearings, press briefings, and strong lobbying campaigns.

Under the agricultural credit program unveiled Wednesday, the Farmers Home Administration will back up to 90% of an operating loan if a bank agrees to reduce a farmers' loan payments by 10%.

The Agriculture Department said that a bank may reduce those payments by "forgiving," or writing down, a loan's interest, principal, or a combina-

↦ Farm: Page 10

Breakthrough Seen in Resale Of Car Loans

Salomon Brothers Creates Secondary Market Product

By DAVID LaGESSE

NEW YORK — A West Coast finance company has privately sold some $10 million worth of automobile loans through a new securities program at Salomon Brothers Inc., the Wall Street investment banking firm.

The deal is a breakthrough in the long-awaited secondary market for consumer loans, where investment bankers want to apply the techniques they've learned in packaging mortgages and selling them as securities. Indeed, the Salomon program, called Certificates for Automobile Receivables, or CARS, came out of that firm's mortgage securities group.

Several other Wall Street firms have their mortgage departments working on auto-backed securities, with a public offering expected within months. Investment bankers also talk of packaging other receivables, such as credit card balances and loans on computer systems, into securities for sale to investors.

"We're simply applying the technology that we've learned with mortgages to other types of assets," said Gordon Taylor, Salomon vice president.

Salomon privately sold the first package of auto-backed securities for a finance subsidiary of Lloyd Andersen Group of Companies, a West Coast firm that specializes in financial services for auto dealers. Mr. Taylor said his firm also has sold two other of the security packages of about $20 million each in deals that have not closed yet

↦ Auto: Page 11

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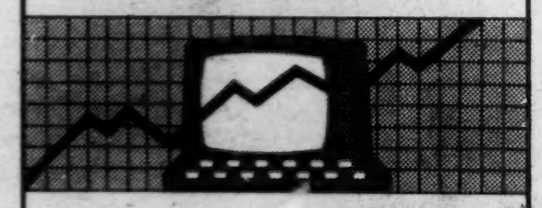

Indiana realizes that its future economic base will depend heavily on technological enterprises. Therefore, the state has created the Corporation for Innovation and the Corporation for Science and Technology. These corporations offer funding and venture capital, as well as support for existing Indiana companies and to companies relocating here. American Fletcher, Indiana's largest bank, supports Indiana's drive to develop and expand its high tech industries.

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Investment Management

Strategist for Morgan Stanley Foresees Winning Year for High-Quality Stocks

By ANISE WALLACE

NEW YORK — Stocks of consumer, low-tech, and service sectors, will be the winners in this year's stock market, according to Barton M. Biggs, chief portfolio strategist of Morgan Stanley & Co.

"I continue to believe this is the time to be emphasizing aggressive growth and earnings momentum in stock selection, at the expense of what might be called defensive, stable value," Mr. Biggs said in this week's report to institutional clients.

A company's size will not be as important a factor as it was from 1978 to 1983, when small-company stocks outperformed those of larger-capitalized firms, Mr. Biggs said. "I think in this cycle there will be a lot of medium-sized, and even some big-capitalization, stocks" which will be winners, he said.

Commenting on the emerging growth sector, Mr. Biggs' colleague and director of research, Dennis G. Sherva, said: "We do not see a quick return to the frothy environment of 1983."

Rather, the high-quality emerging growth companies will be the outperformers, "because the disasters that befell investors who traded down in quality in the last bull market were so severe, that it will take a while for the scars to heal," he said.

Mr. Biggs said he believes this year's earnings growth rates may be lower than in the past. But, with continued low inflation, these rates will be substantial.

"In general, growth rates will be lower than those seen and anticipated in the previous period. But, in a world of low inflation, growth of 15% a year is going to look very, very good, and anything above 20% will be spectacular," he said.

"If we really have a sustained bull market, there are going to be some fancy multiples on the stocks of companies in relatively pedestrian businesses," he said.

"In other words," he concluded, "just like everything else, the winners are going to be the mirror image of the winners of the previous era. Incidentally, I think this is going to be a worldwide phenomenon, and not peculiar to the American market."

IRA ASSET VALUES UP: The asset value of individual retirement accounts increased by $40 billion in 1984, according to estimates from the **Investment Company Institute**. According to ICI estimates, commercial banks, and savings and loans, have the highest percentage of IRA assets. Banks, thrifts, and mutual funds, have 65% of all such assets.

Estimated Value of IRA Assets
(In millions)

	December 1983 value	December 1983 % of total	December 1984 value	December 1984 % of total
Commercial Banks	$26,520	29.0%	$ 37,128	28.1%
Mutual Savings Banks	6,511	7.1	8,504	6.4
Savings and Loans	25,200	27.6	32,725	24.8
Life Insurance Cos.	8,995	9.9	13,942	10.6
Credit Unions	5,000	5.5	7,800	5.9
Mutual Funds	10,712	11.7	16,000	12.1
Self Directed	8,400	9.2	16,000	12.1
Total	**91,338**	**100.0**	**132,099**	**100.0**

Source: Investment Company Institute, Washington, D.C.

SEI MONEY MARKET FUNDS JUMP: The institutional money market funds of **SEI Corp.** grew 71% in 1984. The Wayne, Pa., firm now has $4.6 billion in assets, and 175 clients. Last year, 53 new clients invested more than $1 billion in the firm's funds, and existing clients added more than $500 million. The largest of these funds is TrustFunds Liquid Asset Trust, which has almost $4 billion in assets.

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OPPENHEIMER RETIREMENT FUND: Oppenheimer Management Co. has introduced the Oppenheimer Retirement Fund to provide investors with a variety of options. "We believe the fund should appeal to conservative investors who know they should have their money in a variety of different investments, but are unsure how to achieve this," said Donald W. Spiro, president of Oppenheimer Management. The fund offers investors a portfolio of investments in blue chip stocks, U.S. government securities, and money market instruments. Oppenheimer also is offering optional life and disability insurance to the fundholders.

■

12% RETURN ON PRIFORM: Priform, the value-oriented, low-price/earnings stock fund offered to institutions by **the Prudential Insurance Company of America**, had a 12% return in 1984, compared to the 6.2% rise of Standard & Poor's 500 index. At yearend, Prudential was managing slightly more than $400 million in individual investors' portfolios using this strategy, and the fund had $874 million in institutional assets. Since 1979, the fund has averaged an 18.5% compound annual rate of return.

■

ADVISOR TO SALEM EQUITY PORTFOLIO: Keystone Custodian Funds in Boston has named the Capital Management Group of First Union National Bank in Charlotte, N.C., as investment advisor to Salem Equity Portfolio. The fund is expected to be available sometime in the first quarter. The bank's investment performance was cited as the key reason for Keystone's decision. According to Computer Directions Advisors, the bank's common stock fund for individuals advanced 194.3% for the five-year period ending last Dec. 31. That compares to the median growth mutual fund's performance of 82.8% for the same period. ■

Interactive Data Corp. Buys Telstat Systems

NEW YORK — Interactive Data Corp., a subsidiary of Chase Manhattan Bank, has purchased Telstat Systems Inc., a unit of Western Union Corp. that supplies securities pricing data to financial institutions.

Terms of the acquisition, which was announced late last year, were not disclosed.

As previously announced, Interactive Data will merge Telstat with its subsidiary, Interactive Data Services Inc. Telstat's products complement those of Interactive Data Services, which provides securities pricing and descriptive data to the financial community.

Telstat's offerings include the Telekurs international securities pricing service, pricing for commodities futures contracts, and descriptive securities data.

Interactive Data Services and Telstat are both based in New York City.

Interactive Data Corp. provides computer-based information services to more than 11,000 clients worldwide. ■

Money Market Mutual Funds

February 5, 1985

The table below presents certain statistics as of the date indicated for money market mutual funds whose shares are held largely in trust accounts. The information includes the full size in millions of dollars, average portfolio maturity, percent of portfolio due in seven days or less, and the rates of total return for the preceding seven and 30 days. The table is compiled by Theresia Gerber.

	Size $ Mil.	Average Maturity (days)	% due 7 days or less	% Rate of Return 7-day	30-day
Dreyfus Money Market Instruments:					
Money Market Series	900.2	85	11	8.5	8.6
Dreyfus Institutional Money Market Fund:					
Government Securities Series	907.9	84	42	8.8	8.7
Money Market Series	1,265.2	86	7	8.5	8.6
Federated Group:					
Federated Master Trust	3,419.1	36	12	8.1	8.3
Money Market Trust	2,331.6	31	24	8.0	8.2
Trust for Short-Term U.S. Govt. Sec.	6,903.9	50	46	8.6	8.5
Trust for U.S. Treasury Obligations	3,523.1	47	51	8.5	8.4
Fidelity Money Market Trust:					
U.S. Government Portfolio	812.5	51	71	8.2	8.1
Domestic Money Market Portfolio	1,548.3	32	14	8.0	8.1
Treasury Portfolio	246.5	1	100	8.1	7.9
Institutional Liquid Assets:					
Prime Obligations Portfolio	5,826.3	45	17	8.5	8.5
Government Portfolio	2,000.0	49	26	8.5	8.5
Treasury Portfolio	792.5	51	27	8.5	8.5
Mariner Institutional Funds Inc.:					
U.S. Treasury Fund	127.2	62	14	8.3	8.2
Government Fund	145.8	74	36	8.0	8.0
Cash Management Fund	471.9	37	26	8.3	8.5
Merrill Lynch Group:					
Merrill Lynch Institutional Fund	1,476.7	39	36	8.6	8.4
Merrill Lynch Government Fund	1,556.9	44	8	8.0	8.3
Scudder Cash Investment Trust	1,103.5	37	12	7.8	8.0
Shearson/American Express Group:					
TempFund	6,693.5	41	33	8.5	8.5
FedFund	1,756.2	40	36	8.5	8.5
T-Fund	1,425.1	38	42	8.4	8.4
TrustFunds Liquid Asset Trust:					
Treasury Portfolio	1,918.7	39	44	8.3	8.4
Agency Portfolio	338.0	41	35	8.3	8.4
Commercial Portfolio	132.9	34	28	8.3	8.4
Prime Obligations Portfolio	1,577.5	42	10	8.1	8.3

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INTERNATIONAL BANKING ANNUAL

Working Abroad And Coming Home

Representing a bank in a foreign country offers career advantages as well as the opportunity to be immersed in an exotic culture. But the travel bug does have side effects. Today's special section explores the experience of the overseas assignment, beginning on page..... 11

TODAY

THE FOREIGN PRESENCE: Loan growth by foreign banks in the United States remained weak last year, and foreign office increase slowed to half the rate of a year ago..... 1

Foreign Banks in U.S. Rankings ... 35

International Briefing 2

TRAVELIN' MAN: Travelers Corp. said it hired Citibank executive John W. Heilshorn to develop new businesses and to head its mass marketing operations..... 2

CREDIT CANDIDATES: Farm customers of a failed Minnesota bank may be the first beneficiaries of a recently announced federal emergency credit assistance program 2

IOWA FAILURE: Iowa's troubled farm economy was reflected in the state's third bank failure 2

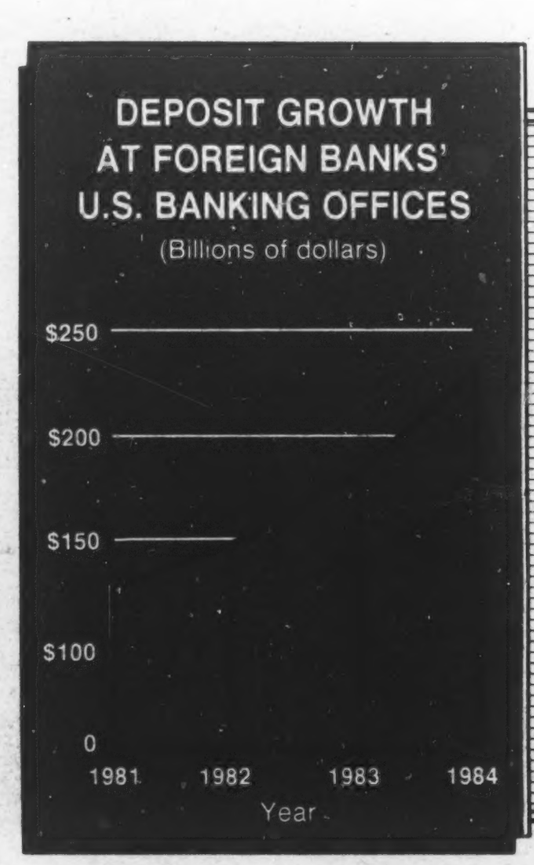
DOWN ON DEFICITS: Federal Reserve Board Chairman Paul A. Volcker repeated warnings that budget and trade deficits imperil the economic recovery 3

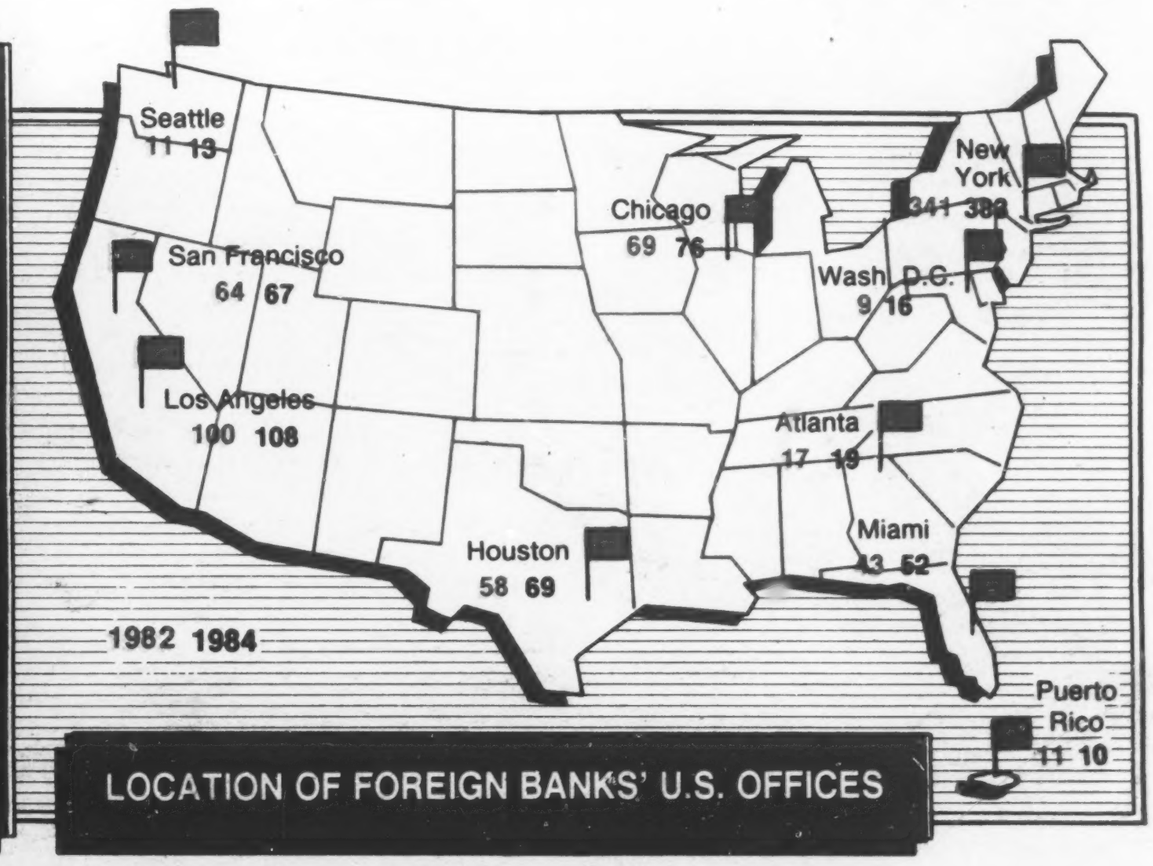
INTERSTATE ACCORD: Citizens & Southern Georgia Corp. has reached a preliminary agreement to acquire Landmark Banking Corporation of Florida..... 3

SEARS CARD: Sears, Roebuck and Co. plans to offer a new general-purpose card by the end of the year3

MORTGAGE LAWSUIT: National Mortgage Equity Corp. has filed a lawsuit against West Pac Corp. in connection with a default on mortgage loan guarantees..... 3

STOCKING STUFFERS: Oppenheimer & Co. analysts have produced a list of what they call "deep discount" stocks, many of which are the stocks of bank firms 56





Growth of Foreign Banks in US Slackens in 1984

Rate of Increase in Loans Remains Weak

By L. MICHAEL CACACE

NEW YORK — Business loan growth by foreign banks in the United States remained weak last year; it did not keep pace with these banks' deposit growth, according to the *American Banker's* annual survey of foreign institutions' activities in U.S. banking.

The survey — which is based on data for last June 30 — shows that commercial and industrial, or business, loans rose a modest 9.4% for foreign banks' U.S. offices, while deposits at those offices jumped by almost 28%.

This slowing in growth of business loans reflects a shift by foreign banks in the U.S. away from business lending and toward lending to other institutions, both domestic and foreign.

The shift is attributable to the absence of attractive business-lending opportunities and increased competition in the corporate-lending market from U.S. banks.

Over the last few years, American banks have become more competitive in their pricing of business loans, and they

➤ Survey: Page 58

Houston, Washington Top Gains in Offices

By KENNETH J. HICKS

NEW YORK — For the fourth year in a row, the number of foreign offices operating in the United States has increased. However, despite the impressive gains in 1984, the rate of increase was still half that of the previous year.

European banks accounted for most of the increase, leading other regions in starting new operations in the United States. Asian/Pacific and Middle Eastern banks were second and third, respectively, in office openings.

While New York City continued to hold the lion's share of foreign office branches, with 42.3% of the total, on a percentage basis, the top gainers in foreign office openings changed. In 1984 Houston and Washington, D.C., replaced Los Angeles and Miami, which had topped the gainers' list in 1983. These are some of the findings of the *American Banker* survey of foreign offices in the United States, published today.

Last year, the total number of foreign offices in the United States was 906 — an increase of 41 or 4.7% from the 865

➤ Foreign: Page 58

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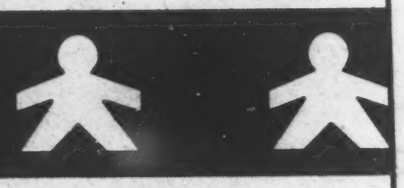

Thanks to total city volunteer involvement in PRIDE (Peaceful Response to Indianapolis Desegregation of Education), Indianapolis could very well become a model of peaceful and successful desegregation for the rest of the country. Now with the first year over, CDAC (Community Desegregation Advisory Committee) will strive to maintain the same spirit which helped Indianapolis win the All America City Award. American Fletcher, Indiana's largest bank, is proud to be part of a city with such exemplary community involvement.

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